

**Commonwealth of Massachusetts**  
**HOUSING STABILIZATION FUND -- REHABILITATION INITIATIVE**  
**Rental Application Guidelines**

Thousands of residential properties requiring moderate or substantial rehabilitation are located in communities throughout Massachusetts. In addition, many Massachusetts communities are burdened by the existence of distressed, foreclosed, or abandoned properties. Wherever they are located, these properties symbolize failure and blight. The Director of DHCD has set aside Housing Stabilization Fund (HSF) monies to support the acquisition, rehabilitation and re-use of these properties as affordable housing as well as the new construction of rental projects.

Developers and municipalities are encouraged to work together to package distressed, foreclosed, or abandoned properties for rehabilitation and re-use as affordable rental housing. Developers and municipalities also may work together to package other properties in need of rehabilitation or suitable for new construction, but priority for funding through this initiative will be given to distressed, foreclosed, or abandoned properties. Each application should include a description of the proposed work in the context of the particular community's broader affordable housing needs and goals.

Eligible applicants for the Rehabilitation Initiative are for-profit or non-profit developers, local housing authorities and municipalities in cooperation with for-profit or non-profit developers. Each application for Rehabilitation Initiative funds must be signed by the chief elected local official. The minimum project size is five (5) units.

The maximum amount of Rehabilitation Initiative funding available per application is **\$750,000**. The maximum amount available per assisted unit is **\$50,000** in HOME entitlement/consortium communities and **\$65,000** per assisted unit in non-entitlement communities. Rehabilitation Initiative funding is awarded competitively and the highest-scoring applications are selected for funding. Applications seeking smaller amounts are strongly encouraged and may be more competitive.

**Applicants may seek Rehabilitation Initiative funds either as a single public source or in combination with other public funds, such as Low-Income Housing Tax Credits, Community Development Block Grant funds, local HOME funds, etc. However, other sources of funds may not include DHCD HOME funds. If an applicant requests Rehabilitation Initiative funds for a project, it may not request or receive DHCD HOME funds for the same property. If Rehabilitation Initiative funds are sought in combination with other state subsidies, certain limits will apply.**

Commitments for funding sources other than DHCD subsidies must be included as part of the application package. **Please Note:** Applications for projects located in municipalities that receive HOME funds directly from HUD must include matching funds as a funding source for the project.

Developers must use the latest version of the One-Stop Affordable Housing Finance Application available online at [www.onestop.com](http://www.onestop.com).

**Feasibility of rehabilitation**

The costs included in the One-Stop Application should be consistent with costs allowed through other DHCD housing programs, such as the Low-Income Housing Tax Credits program and the HOME program. Information on these costs is available through DHCD's Division of Housing Development.

Acquisition costs for properties should not exceed the value determined by fair market appraisals and must be supported by fair market appraisals. Rehabilitation or new construction costs should be reasonable, with no unusual or excessive amenities proposed. The proposed design features and amenities must be presented as part of the application. In addition, the scope of rehabilitation or new construction must ensure that, after completion, the property will meet Section 8 Housing Quality Standards as well as applicable state and local codes. In some cases, DHCD may request verification of a property's proposed construction costs by a DHCD-approved construction cost estimator to ensure that the scope and budget are adequate and will result in affordable housing units that meet program requirements.

Projected operating costs should be reasonable and based on conservative trending assumptions acceptable to DHCD. If Rehabilitation Initiative funds are to be used with local HOME funds, rental rates should be set at HOME rental rates, according to the schedules published from time to time by the US Department of HUD. If Rehabilitation Initiative funds are not to be used with local HOME funds, rental rates for affordable units should be consistent with HOME rates or with other DHCD programs such as Low-Income Housing Tax Credits, the Housing Innovations Fund or project-based Section 8. Rental rates must be supported by market studies acceptable to DHCD.

### **Readiness to proceed**

Applicants should apply for funds when a project is ready to proceed. Examples of readiness include the following: zoning for the property or properties is in place; the sponsor has site control; other financing commitments are in place; the environmental review process, and Mass Historic review and sign-off is underway or completed. An application will be competitive only if a project is ready to proceed.

### **Capacity**

The capacity of each team member also must be described in the application. An application submitted by a municipality in partnership with a non-profit or for profit developer also should clearly indicate the functions to be carried out by the non-profit or for profit developer. The application also should indicate which members of the development team are listed as Minority Business Enterprise/Women's Business Enterprise by the State Office of Minority and Women Business Assistance (SOMWBA).

### **Resident selection plan**

The application must contain a resident selection plan to ensure that the initial selection process is fair and that the selection process will be fair over time. The resident selection plan should highlight ways in which the municipality and development team will promote fair housing practices. Please note the following:

1. A tenant selection plan may not have the effect of excluding non-residents from a project.
2. When scoring applications, DHCD will give higher consideration to projects with wider applicant pools.

### **Management plan**

The application must include a management plan to ensure that the rental properties will be maintained over time.

### **Forms of assistance**

Rehabilitation Initiative loans are secured by loan documents running between the Massachusetts Housing Partnership Fund, acting as DHCD's financial intermediary for the HSF program, and the borrower. In general, the loans are secured by zero-interest, deferred payment junior mortgage notes. The loan terms must be consistent with all statutory provisions of the Housing Stabilization Fund.

The loan terms may vary if the borrower is seeking an allocation of Low-Income Housing Tax Credits, as well as Rehabilitation Initiative funds, to support the rehabilitation of a particular project. Upon request, DHCD may approve a rate of interest greater than zero for a Rehabilitative Initiative loan. However, since such loans are made with the proceeds of Commonwealth general obligation bonds, the interest rate may not exceed by more than one and one-half percentage points the yield on the bonds, actual or anticipated, as determined by the State Treasurer.

At the end of the Rehabilitative Initiative loan term, the borrower has the option of requesting an extension of the affordability period and further deferring payment on the mortgage note. Prepayment of the note will not affect the term of the affordability restriction, which will remain in effect. For eligible projects funded through HSF, DHCD shall be granted a purchase option and/or a first refusal option to purchase the project.

### **Scoring criteria for applications**

In selecting applications to receive Rehabilitation Initiative funds, DHCD evaluates the following components:

- Financial feasibility of proposed acquisition/rehabilitation
- Demonstrated need for project in the target neighborhood
- Suitable site and design
- Appropriate scope of rehabilitation or construction
- Appropriate total development cost for properties included in the proposal
- Overall readiness to proceed (including site control, approved zoning, environmental, etc.)
- Evidence of commitments from other funding sources
- Number of affordable units in relation to state funding requested
- Strength of development team
- Degree of local support
- Certification in accordance with Executive Order 418
- Incorporation of sustainable development principles

While the maximum amount per project has been established at **\$750,000**, and the maximum per affordable unit at **\$50,000** in HOME entitlement/consortium communities and **\$65,000** in non-entitlement communities, DHCD is strongly encouraging municipalities or developers to apply for less than the maximum amount available in either category. The agency's goal is to support the rehabilitation of the greatest number of affordable units possible with the least amount of Rehabilitation Initiative funding.

**In making funding determinations, the agency also reserves the right to consider project location, since it is DHCD's intention to provide assistance to projects located throughout the state.**

### **Application process**

Project sponsors seeking HSF funds must submit applications using the One-Stop Affordable Housing Finance Application. Only One-Stop disks and forms will be accepted by DHCD. An application for HSF, as a source exclusive of additional DHCD sources, consists of four hard copies, 1 disk, and 1 set of plans. To cover part of the cost of underwriting the project, an application fee also must be submitted. The fee for non-profit sponsors is **\$300** per project; the fee for for-profit sponsors is **\$750** per project. Checks should be made out to the **Massachusetts Housing Partnership Fund**.

Although most development projects change over time, and some projects change substantially, DHCD must evaluate all project applications in a fair and equitable way. The One-Stop application essentially is a "snapshot" of a project on the day of submission. For purposes of threshold review

and competitive evaluation, DHCD will not accept the submission of additional documentation after the application deadline. Each project will be reviewed based on the materials contained in the One-Stop on the deadline for all submissions.

Applications should be submitted to: **Housing Stabilization Fund Program**  
**Department of Housing & Community Development**  
**100 Cambridge Street, Suite 300**  
**Boston, MA 02114**